



# Lincolnville Telephone Company

Family of companies serving Maine's Telecommunications needs since 1904







June 5, 2012

Office of the Secretary Federal Communications Commission 445 12<sup>th</sup> Street, SW Washington, DC 20554

Universal Service Administrative Company 2000 L Street, NW, Suite 200 Washington, DC 20036

Administrative Director Maine Public Utilities Commission State House Station 18 Augusta, ME 04333-0018 Received & Inspected

JUN 1 1 2012

FCC Mail Room

Re: (FCC) WC Docket No. 10-90 Filings Pursuant to FCC Rules §54.313 by Lincolnville Networks, Inc.

Enclosed are the following:

- Audited annual report pursuant to FCC §54.313(f)(2) and MPUC Chapter 710, Section 3.
- Copy of MPUC Service Quality Report, including report of unfulfilled service requests (there were none) pursuant to FCC §54.313(a)(3).

Please contact me with any questions.

Sincerely,

James A Sanborn

Controller

Lincolnville Networks, Inc.

207-563-9911

jims@lintelco.net

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# Maine Public Utilities Commission

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# Lincolnville Telephone Co.

# **Service Quality**

Report Period: Quarter 4 of 2011

For a description of each of the service quality measures see glossary.

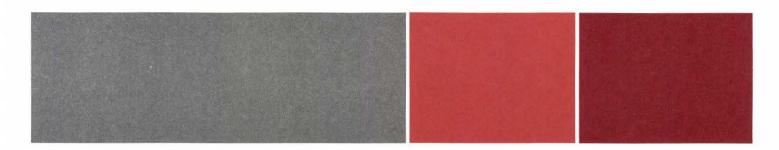
| Performance Area   | Oct  | Nov  | Dec  | Current<br>Quarter |      | 2nd<br>Quarter<br>Prior | 3rd<br>Quarter<br>Prior | Rolling<br>Average     |
|--|------|------|------|--------------------|------|-------------------------|-------------------------|------------------------|
| Number of Network Trouble Reports (Res and Bus)          | 0    | 2    | 1    | 3                  | 0    | 11                      | 8                       | 5.5                    |
| Number of Lines  | 1682 | 1671 | 1669 | 5022               | 5100 | 5114                    | 5144                    | 5095                   |
| Network Trouble Report Rate per 100 Lines                | 0    | 0.11 | 0.05 | 0.05               | 0    | 0.21                    | 0.15                    | 0 10                   |
| Total Troubles not cleared within 24 hours (Res and Bus) | 0    | 0    | 0    | 0                  | 0    | 0                       | 0                       | 0                      |
| Total Number of Troubles                                 | 9    | 3    | 6_   | 18                 | 19   | 20                      | 16                      | 18 25                  |
| Percentage of Total Troubles not cleared within 24 hours | 0%   | 0%   | 0%   | 0%                 | 0%   | 0%                      | 0%                      | 0%                     |
| Total Install appts not met comp reasons (Res and Bus)   | 0    | 0    | 0    | 0                  | 0    | 0                       | 0                       | 0                      |
| Total Install Appointments                               | 12   | 10   | 2_   | 24                 | 28   | 24                      | 26                      | 25 5_                  |
| Percentage of Total Install appts. not met comp reasons  | 0%   | 0%   | 0%   | 0%                 | 0%   | 0%                      | 0%                      | 0%                     |
| Total Number of Delay Days                               | 0    | 0    | 0    | 0                  | 0    | 0                       | 0                       | 0                      |
| Total Number of Missed Appts.                            | 0    | 0    | 0_   | 0                  | 0    | 0                       | 0                       | 0 _                    |
| Average Number of Delay Days                             | -    | -    |      | -                  | -    | _                       |                         | -                      |
| Major Service Outage                                     | 0    | 0    | 0    | 0                  | 0    | 0                       | 0                       | Rolling<br>Total:<br>0 |

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FINANCIAL STATEMENTS

December 31, 2011

With Independent Auditors' Report



### INDEPENDENT AUDITORS' REPORT

The Board of Directors Lincolnville Networks, Inc.

We have audited the accompanying balance sheet of Lincolnville Networks, Inc. as of December 31, 2011, and the related statements of operations and accumulated deficit, and cash flows for the year then ended. These financial statements are the responsibility of Lincolnville Networks, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincolnville Networks, Inc. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine

March 15, 2012



# LIABILITIES AND STOCKHOLDER'S EQUITY

| Current liabilities Accounts payable Accrued expenses and other current liabilities Due to related parties  | \$ | 11,659<br>299,740<br>16,381 |
|---|----|-----------------------------|
| Total current liabilities   |    | 327,780                     |
| Deferred income taxes   |    | 1,544,000                   |
| Other long-term liabilities   |    | 61,360                      |
| Total liabilities   |    | 1,933,140                   |
| Commitments and contingencies (Notes 5 and 6)   |    |                             |
| Stockholder's equity Common stock, no par value; 2,000 shares authorized, 100 shares issued and outstanding |    | -                           |
| Paid-in capital Accumulated deficit   |    | 4,119,509<br>(710,457)      |
| Total stockholder's equity  | _  | 3,409,052                   |
|   |    |                             |
|   |    |                             |

\$<u>5,342,192</u>

# **Statement of Cash Flows**

# Year Ended December 31, 2011

| Cash flows from operating activities                      |    |   |
|---|----|---|
| Net loss  | \$ | (6,341)                                 |
| Adjustments to reconcile net loss to net cash provided by |    |   |
| operating activities                                      |    |   |
| Depreciation and amortization                             |    | 433,457                                 |
| Deferred income taxes                                     |    | (51,400)                                |
| Decrease (increase) ın                                    |    |   |
| Accounts receivable                                       |    | (25,894)                                |
| Materials and supplies                                    |    | 55                                      |
| Due from affiliates                                       |    | 222,760                                 |
| Prepaid expenses and other current assets                 |    | (248)                                   |
| Increase (decrease) in                                    |    |   |
| Accounts payable  |    | (9,761)                                 |
| Accrued expenses and other current liabilities            |    | 34,375                                  |
| Other liabilities   | _  | (53,915)                                |
| Net cash provided by operating activities                 | _  | 543,088                                 |
| Cash flows from investing activities                      |    |   |
| Extension and replacement of telecommunications plant     |    | (74,626)                                |
|   | _  | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |
| Net cash used by investing activities                     |    | <u>(74,626</u> )                        |
| Cash flows from financing activities                      |    |   |
| Payment of dividends                                      |    | (475,007)                               |
|   |    | ,                                       |
| Net cash used by financing activities                     |    | <u>(475,007</u> )                       |
| Net decrease in cash and cash equivalents                 |    | (6,545)                                 |
| That doubted it poort and busin equivalents               |    | (0,040)                                 |
| Cash and cash equivalents, beginning of year              | _  | 123,908                                 |
| Cash and cash equivalents, end of year                    | \$ | 117,363                                 |
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#### **Notes to Financial Statements**

#### December 31, 2011

## Materials and Supplies

Materials and supplies are valued at the lower of first-in, first-out (FIFO) cost or market

## Depreciation

Depreciation is computed on average plant investment by primary plant accounts using the straight-line method over the estimated useful lives of the assets. The Company assesses the estimated remaining useful lives of assets on an annual basis.

## Capitalization Policy

Additions to plant and replacements of retirement units of property are capitalized at original cost, which includes labor, material and overhead, and direct charges such as equipment costs.

# Intangible Asset Subject to Amortization

The intangible asset subject to amortization consists of a franchise license which is being amortized by the straight-line method over the asset's estimated useful life of thirty years.

# Sales Taxes

The Company reports sales taxes on a net basis; accordingly, they are recorded as a liability when collected from customers and excluded from revenues and expenses.

#### **Income Taxes**

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes

The Company files a consolidated tax return with its Parent. Income taxes are allocated to the Company based on the statutory rates of the consolidated group applied to its separate income before income taxes.

As of December 31, 2011, tax years 2008 through 2010 remain subject to examination by federal and state authorities

#### **Notes to Financial Statements**

### December 31, 2011

#### 4. Income Taxes

The actual tax expense differs from that computed at a federal rate of 34% primarily because of state income taxes.

The components of income tax expense (benefit) at December 31 are as follows

|                                     | <u>(</u> | <u>Current</u>   |     | <u>Deferred</u>      | <u>Total</u> |                  |
|-------------------------------------|----------|------------------|-----|----------------------|--------------|------------------|
| Federal income tax State income tax | \$       | 28,500<br>19,000 | \$  | (32,200)<br>(19,200) | \$<br>_      | (3,700)<br>(200) |
| ,'                                  | \$       | 47,500           | \$_ | (51,400)             | \$ <u>_</u>  | (3,900)          |

Announts payable to the parent for current income taxes are included in due from related parties at Diecember 31, 2011

The components of the deferred tax liability (asset) at December 31 are as follows:

Temporary differences related to.

Depreciation and amortization
Other

\$ 1,567,200 (23,200)

\$<u>1,544,000</u>

## 5. Regulatory Matters

#### **Federal Matter**

In October 2011, the FCC issued an Order reforming Intercarrier Compensation and Universal Service Fund (USF) mechanisms and announced the issuance of a Further Notice of Proposed Rulemaking (FNPRM) on long-term USF reform and transition timing. The Order and FNPRM introduce limitations on capital expenditures and operating expenses recoverable from the USF, and significantly reduce carrier access rates over an extended transition period. Management is monitoring the impact of the reform, but the current Order does not appear to have a significant impact on intrastate and interstate network access services revenues in the near term. This evaluation is subject to change as the FNPRM has not been finalized, and the Order is being challenged in court.

